

Testimony of James E. Byrd before the
COMMITTEE ON FINANCIAL SERVICES

Subcommittee on Financial Institutions and Consumer Credit

regarding H.R. 1701

The Consumer Rental-Purchase Agreement Act

July 12, 2001

Mr. Chairman and Members of the Committee, thank you for inviting me to testify today regarding H.R. 1701. My name is James Byrd and I am the owner of Byrd's TV Sales, Service and Rental in Florence, South Carolina. I am also a member of the Association of Progressive Rental Organizations, the rental-purchase industry's national trade association.

I have been in the consumer electronics business for 42 years. I started in 1959 after graduating from Denmark Technical College with an electronic and television technician diploma. At first, I opened my own business doing repair service only. In 1963 I expanded my business into radio and television sales and service, and have been at the same location in Florence since that time.

Byrd's TV is a family business. Over the years, all four of my children, Sydney, Janet, Shelia, and Charlene, have worked at the store. Shelia is now an electrical engineer and went to work for Honeywell immediately after graduating from college and Charlene is an occupational therapist. Sydney and Janet still work with me, along with my grandson Derrick when he is not attending college at South Carolina State University.

By the early 1980s increased competition from large electronic dealers and discount stores forced me to re-evaluate my business strategy. In 1982 I added furniture and appliances to my product mix. This helped me make up for the loss of electronics business. I found that some of my customers could not qualify for credit and some had temporary needs. To meet these special needs, I also began to offer rent-to-own. Since I began offering rent-to-own in 1982, my business has grown substantially. Today about 70% of my business is rent-to-own, and the other 30% is a combination of retail sales and repair service.

Rent-to-own offers great flexibility for my customers. Under a rent-to-own agreement my customers can acquire the possession and use of household goods by making more affordable weekly or monthly payments. Unlike a credit sale, the customer can return the property and end the agreement at any time without penalty. In addition, at any time during the agreement the customer can exercise the early purchase option and buy the merchandise for 55% of the remaining rent. I also offer a special option through which

my rent-to-own customers can acquire ownership of the merchandise at any time during the first 90 days of an agreement by paying the balance of the cash price. I am not required by law to offer this option, but I do because I believe it gives me a competitive edge.

The flexibility that rent-to-own provides to my customers comes with some extra costs to my business. During the rental period, I still own and am responsible for the product. I find that only about 25% of my customers will end up owning the merchandise they rent, which I understand is consistent with estimates across my industry. Most customers choose to return the merchandise within a few months. It is not unusual for an item to be rented to 4 or 5 different customers before ownership is acquired or the item is no longer in good enough condition to re-rent. This means that as a rent-to-own dealer I incur operating expenses that retailers do not incur. I provide delivery and set-up at no additional cost. I also must pick up merchandise when a customer terminates the agreement. I provide ongoing service and maintenance throughout during the term of the agreement, and a temporary replacement while a product is being repaired. I incur the special costs of refurbishing and re-renting an item after it is returned. I also incur extra costs in managing my outstanding customer accounts, which can be very labor intensive. These additional costs make rent-to-own more expensive than a cash purchase or buying on credit, but, for a variety of reasons, my customers choose to use rent-to-own.

Some customers rent because they have temporary family needs. Increasingly, I rent to people relocating to the Florence area to start a new job. Often these customers will start the new job before they have sold their house and moved their family to Florence. In these situations, we can completely furnish an apartment at a low weekly rate and then pick up the furniture and appliances as soon as they move their family and personal belongings to Florence. I have rented to people who are separated from their spouse, but hope to reconcile, and rent-to-own allows them to temporarily furnish a second residence without a long-term obligation. I know that some other rent-to-own dealers offer computer equipment with Internet service, which gives children access at home to a computer and printer for school projects.

Some of my customers have the ability to buy on credit but choose to use rent-to-own. For example, I have had customers use rent-to-own because they are getting ready to buy a house and don't want to take on new debt that will show up on their credit report. Rent-to-own allows these customers to get items they want and need without jeopardizing their ability to qualify for a home loan. Other customers that can qualify for credit choose rent-to-own because of an uncertain employment situation or tight family budgets. If they suffer a temporary job loss or an unusual emergency expense, they can return the merchandise and avoid damaging their credit rating. Then they can reinstate the agreement when their financial situation improves.

Finally, many of my customers cannot qualify for credit or have had bad experiences with credit transactions, but need household goods like refrigerators, washers and dryers, and bedroom furniture. Rent-to-own allows these customers to acquire

essential household goods without credit and if they get into a financial bind, they can return the merchandise and then reinstate the agreement when their financial situation improves.

For people in South Carolina that use rent-to-own, H.R. 1701 will increase consumer protection in two significant ways. First, South Carolina law does not require rent-to-own dealers to make any kind of point-of-sale cost disclosures. This bill will require dealers to disclose on price tags whether the merchandise is new or used, the cash price, the amount of each rent payment, the total number of rent payments, and the total of all mandatory charges that must be paid in order to acquire ownership. This is a significant improvement over South Carolina law.

Secondly, this bill gives customers that have paid at least 60% of the total rent an additional 30 days in which to reinstate an inactive agreement. Reinstatement allows a customer to return the merchandise for any reason and then reinstate the agreement in the future without losing the benefit of the payments they have already made. This is a tremendous advantage for customers that must return merchandise because of a short-term job loss or unexpected financial set backs like expensive car or home repairs.

You may wonder why a rental dealer in South Carolina is interested in federal rent-to-own legislation. This may seem like a matter that only the large companies would care about. I am supporting this bill for two reasons. First, it will raise standards in the rent-to-own industry. Because of my concern about the well being of this industry I have been an active APRO member for about 15 years and have supported its efforts to improve the industry through legislation and dealer education. I believe improving the standards in the industry will increase public confidence in rent-to-own and help the industry grow and prosper.

Secondly, the long-term viability of this industry is of great importance to me. If you think about it, from my perspective, I have more at stake than the large companies do. My entire livelihood and future and my whole life earnings are in my business in South Carolina. Reclassification of the transaction as a credit sale rather than a rental-purchase agreement in South Carolina would destroy the business I have worked hard to build. That is why federal recognition of the transaction as a rental-purchase agreement is important to me.

I hope that some day my grandson, Derrick, will take over my business and continue to provide the high level of customer service and satisfaction that I have provided for the past 42 years. Passing H.R. 1701 will help ensure that is possible.

Thank you for your time and consideration. If you have any questions, I would be glad to answer them.